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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

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STAFF MEMORANDUM NO. 55-55

SUBJECT: Terms of Reference for Initiation of Over-all Cost Study
of Soviet Military Effort

1. On 16 August 1955 (IAC-M-208) the IAC approved the recommendation in the Post-Mortem on NIE 11-3-55 that:

"There be initiated as soon as possible a study of the over-all costs of the Soviet military effort and its implications for future trends in the Soviet economy...in an effort to obtain a coordinated appraisal in time to be contributed to the 1956 estimate on the USSR."

2. This study should be initiated immediately so as to be available in time for consideration in connection with the next over-all Soviet estimate, tentatively scheduled for completion by 1 June 1956. Therefore, we propose to send out the attached Terms of Reference, which should be considered as partial terms of reference for the next over-all Soviet estimate.

3. The most efficient way to carry out this study would be to have it done by O/RR under the supervision of an ad hoc committee of the IAC representatives, which we hope would be composed of the same

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representatives who will participate in the over-all Soviet estimate next year. These representatives should: (a) clear the attached Terms of Reference; (b) act as a steering committee to deal with any problems arising in the course of the study; (c) serve as a liaison channel between O/RR and their agencies; and (d) review and informally coordinate each phase of the study.

4. The cost study itself will be similar to that for NIE 11-5-55 (Air Defense) except of course on a grander scale. We plan to do it in two parts, first a historical analysis of the costs of postwar Soviet military programs up to the present, and second a projection through 1961 (the terminal date of the next Soviet NIE). The initial drafts would be based, wherever possible, on already published service estimates of production and O/B, with the services filling in any gaps which appear to exist.

5. Geographic Coverage. We propose to make the initial study Bloc-wide in scope because of the necessity of handling the intra-Bloc transfer problem. However, the final contribution to the next Soviet NIE can be limited to the USSR if desired, and the other Bloc portions would then be available (as a useful byproduct) to support our 1956 estimates on the European Satellites and Communist China.

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6. Timing. The costing study should be completed in time to contribute to the next over-all Soviet NIE, now tentatively scheduled for 1 June 1956. To meet this deadline we propose the following schedule:

Complete O/RR draft of Phase One - 1 January 1956

Complete Ad Hoc Reps Review of Phase One - 1 February 1956

Complete O/RR draft of Phase Two - 15 March 1956

Complete Ad Hoc Reps Review of Study - 1 April 1956

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SUBJECT: TERMS OF REFERENCE FOR COSTING STUDY OF ESTIMATED BLOC
MILITARY PROGRAMS 1956-61 (PARTIAL TERMS OF REFERENCE FOR
1956 OVER-ALL SOVIET NIE)

PROBLEM

To prepare an over-all systematic costing of estimated past and projected Soviet military programs 1946-61, with a view to improving our estimates of: (a) Bloc military expenditures; (b) future Soviet military programs; (c) Soviet economic capabilities to meet these programs; and (d) the impact of such programs on Soviet economic growth.

PHASE ONE

Historical Analysis of Defense Outlays, 1946-55

I. MILITARY PROGRAMS AND PRODUCTION 1946-1955

(To be assembled from published intelligence, filling in gaps only where necessary).

A. Historical composition of major components of the Sino-Soviet Bloc military forces, including order-of-battle by year through the period (by country and military service).

B. Production of major items of equipment and items essential to the support of Bloc military programs for the period.

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C. Organization of the Sino-Soviet Bloc military forces.

Relation of Satellite and Chinese Communist forces
to those of the USSR.

D. Status of Bloc military base facilities for the Bloc during
the period.

II. ECONOMIC REQUIREMENTS TO SUPPORT THE MILITARY PROGRAM

A. The initial costs and annual operating costs of the weapons
and weapon systems for Bloc military programs. Price data should be
provided for as many of the major items of equipment as possible.
(The various demands should be accumulated in categories reflecting
sectors of origin.)

B. Rates of utilization for equipment, weapon systems, facilities,
and the efficiency of maintenance and training.

C. Logistic requirements for various weapon systems utilized by
the military forces during the period.

D. Economic requirements for the research and development and
investment programs necessary to support the military program of the Bloc.

E. Types of support units necessary for the operation of the
military programs.

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III. MILITARY ASSISTANCE PROGRAMS AND INVENTORIES

- A. Nature and extent of military assistance programs between members of the Bloc.
- B. Composition and quantity of military stocks during the period.

IV. SUMMARY

To be an integrated statement of historical Sino-Soviet military expenditures and relation of these expenditures to other historical aggregative series.

PHASE TWO

Estimate of Bloc Defense Costs, 1956-1961

(Detailed terms of reference for PHASE TWO will be issued when PHASE ONE is completed, so that we can draw on the experience of the first phase. The following is merely an outline.)

I. ESTIMATED MILITARY PROGRAMS

In order to permit going ahead with the study, these programs should be assembled from existing estimates such as NIE 11-3-55 and NIE 11-5-55 which go to 1960, with any major gaps filled in by the services to the extent feasible. The projections for 1961 will have to wait until appropriate estimates for the next Soviet NIE are available (O/NE proposes to ask for these by 1 March to permit completion of the cost study by 1 April).

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II. ECONOMIC REQUIREMENTS TO SUPPORT MILITARY PROGRAMS

- A. Initial Outlays
- B. Annual Operating Expenses
- C. Military Hard Goods Procurement

III. ECONOMIC CAPABILITIES TO SUPPORT ABOVE PROGRAMS

- A. Over-all
- B. Key Bottleneck Areas (if any)

IV. SUMMARY

N.B. The analysis of the implications of the above costing study in terms of its impact on: (a) probable military expenditures; (b) probable military programs; and (c) probable rates of economic growth will not be a part of the costing study proper because it involves consideration of a broader range of factors than those covered in the costing study above. This analysis should be done subsequently as part of the regular NIE process.

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